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## **ECONOMIC INTEGRATION OF COUNTRIES ASEAN: ACHIEVEMENTS, PROBLEMS, PROSPECTS**

### **ЕКОНОМІЧНА ІНТЕГРАЦІЯ КРАЇН АСЕАН: ДОСЯГНЕННЯ, ПРОБЛЕМИ, ПЕРСПЕКТИВИ**

*The research carried out emphasizes continuously in the global economic system an uncompromising struggle for redistribution of spheres of influence with the use of political, ideological, psychological, military, economic, information and other methods. The basis of international economic integration within the framework of the WTO and changes taking place under the influence of the crisis of the neoliberal model of globalization are considered. The features of the development and implementation of regional trade agreements for the implementation of the policy of selective trade liberalization, in contrast to the effect of protectionist forces in international trade, are being identified, which is a certain obstacle to the development of international economic relations. The development of integration processes in world trade is considered by the Association of Southeast Asian Nations – ASEAN. The main motives and main goals of the countries are set out with the intention of establishing ASEAN (accelerating the economic, social and cultural development of the participating countries on the basis of cooperation and mutual assistance, support and expansion of mutually beneficial cooperation with general and regional international organizations, etc.). A general description of the socio-economic development of the dozens of ASEAN countries has been carried out on a number of criteria. The tendencies of formation and development of economic relations between the individual countries of the mentioned regional intergovernmental organization, as well as in the whole of ASEAN within the framework of the created free trade zone, were revealed. The features of ASEAN cooperation with major trade and economic partners and international economic organizations are determined. Areas of the strengthening of the ASEAN Community – from trade in goods and services to solving social and environmental problems – are being explored. The assessment of the state and prospects of deepening of trade and economic relations between the countries of ASEAN and Ukraine is carried out. It emphasizes the possibilities and necessity to expand mutually beneficial economic relations both in the agro-industrial sphere and in the branches of machine-building, military-technical sphere, investment attraction and implementation of educational programs.*

**Keywords:** ASEAN, globalization, free trade zone, integration, liberalization, protectionism, regionalization

*У здійсненому дослідженні наголошується на постійно триваючій у світовій господарській системі безкомпромісній боротьбі за переділ сфер впливу із застосуванням політичних, ідеологічних, психологічних, військових, економічних, інформаційних та інших методів. Розглянуто основи міжнародної економічної інтеграції у рамках СОТ та зміни, що відбуваються під впливом кризи неоліберальної моделі глобалізації. Розкрито особливості розробки і реалізації регіональних торгових угод для здійснення політики вибіркової лібералізації торгівлі на противагу дії протекціоністських сил у міжнародній торгівлі, що виступає певним гальмом у розвитку міжнародних економічних відносин. Розвиток інтеграційних процесів у світовій торгівлі розглядається на прикладі Асоціації держав Південно-Східної Азії – АСЕАН. Наведено основні мотиви та головні цілі країн при намірі заснування АСЕАН (прискорення економічного, соціального і культурного розвитку країн-учасниць на основі співпраці і взаємодопомоги; підтримка і розширення взаємовигідного співробітництва із загальними та регіональними міжнародними організаціями тощо). Здійснена загальна характеристика соціально-економічного розвитку “десятки»” країн АСЕАН за низкою критеріїв. Виявлено тенденції становлення та розвитку економічних відносин між окремими країнами зазначеної регіональної міжурядової організації, а також в цілому в АСЕАН в рамках створеної зони вільної торгівлі. Визначено особливості співробітництва АСЕАН з основними торговельно-економічними партнерами і міжнародними економічними організаціями. Досліджуються напрями зміцнення Співтовариства АСЕАН – від торгівлі товарами і послугами до вирішення соціальних та екологічних проблем. Здійснено оцінку стану та перспектив поглиблення торговельно-економічних відносин між країнами АСЕАН і Україною. Наголошується на можливості та необхідності розширювати взаємовигідні економічні відносини як в агропромисловій сфері, так і в галузях машинобудування, у військово-технічній сфері, залученні інвестицій, реалізації освітніх програм.*

**Ключові слова:** АСЕАН, глобалізація, зона вільної торгівлі, інтеграція, лібералізація, протекціонізм, регіоналізація

**Introduction.** In the global economic system, an uncompromising struggle for the redistribution of spheres of influence on the world market with the use of political, ideological, psychological, military, economic, information and other methods continues. Developed countries seek to strengthen their leading position in the market. Developing countries seek to become more and more active in the international division of labor in order to take a more decent place in the world economic system for the benefit of their peoples. It is extremely important that the world economy function within the framework of certain rules that would suit all participants in world trade. It is about the balanced use of two different-polar principles of international trade – protectionism and liberalization [1].

The strategic direction of Ukraine's foreign economic policy after the revolutionary events of 2013-2014 is the EU. At the same time, the Asian region is not a minor interest aimed at supporting the economic modernization of the state. On the map of the world economy, the formation of new growth centers is connected, first of all, with Asia. The aspiration of Ukraine to strengthen cooperation with the countries of the Asia-Pacific region (APR) is absolutely justified, as it is extremely promising. Particular attention should be paid to the dynamic processes of

globalization and regionalization that take place in such an intensively developing regional integration association of Southeast Asia (SEA), as ASEAN.

Problems of initiation and development of integration processes in economic relations between the countries of the SEA, in particular, on the example of creation and improvement of the functioning of the ASEAN Free Trade Area, are devoted to a sufficient number of publications in domestic and foreign literature. At the same time, the strategic aspirations of Ukraine's foreign economic policy towards South-East Asia require a more profound reflection on the analysis of the attractiveness and complexity that is currently being expected and expected in the future on the path.

**Setting objectives.** The purpose of this study is to analyze the integration processes taking place in the global system of management, for example, the ASEAN Free Trade Zone. An important task of the study is to identify Ukraine's interests in ASEAN as a very powerful political, economic and cultural regional intergovernmental organization in terms of prospects for mutually beneficial cooperation.

**Methodology.** The methodological basis of the research was general scientific methods of analysis, historical comparison, systematization, which allowed to substantially studying the processes of creation and development of a free trade zone by the example of ASEAN.

**Research results. The crisis of the neoliberal model of globalization in the global economy.** To implement the policy of liberalization of international trade and the regulation of trade and political relations between the states, a world trade organization was established (WTO, 1995). The WTO strives to play a regulating role in globalization processes, in creating favorable conditions for the implementation of export-import operations between countries. At the same time, it is difficult for the WTO to solve problems requiring operational intervention. WTO decisions are made by consensus. This requires a very long period of time to hold the necessary rounds of negotiation on problematic issues. In this situation, the actions of the protectionist forces are actively manifested in international trade, which is a brake on the development of international economic relations.

The opening of new markets takes place in a preferential way for a limited number of countries. This is reflected in a decrease in the growth of world trade volumes. During 2015-2016 its growth was just over 3.5%. For the last quarter century it is the lowest growth rate of world trade. They are only slightly ahead of the growth rate of world GDP. This explains the fact that particularly actively regional trade agreements (RTS) actively began to be concluded in the second half of the twentieth century. The most important international regional integration structures can be divided into the following groups: free trade zones; customs unions; common markets; economic unions.

The trend of quantitative growth of interstate regional integration structures continues in recent years. As of June 1, 2016 635 free trade agreements (FTA) were received from the GATT / WTO. 423 of the above number of transactions are in the stage of implementation. 90% of notifications are free trade agreements (FTA), as well as limited transactions, 10% are agreements on the establishment of customs

unions (MCs). According to the WTO, each of its 164 members has at least one FTA [2].

**ASEAN: principles of functioning of the mechanism of economic integration in the region.** The most important characteristic in the development of the world economic system at the end of the twentieth century and at the beginning of the XXI century there is a gradual, step by step shift of the “center of gravity” from the group “G7” to “G20”, the group “E7”, BRICS and other countries with a dynamic economy. The growing influence on world politics and economy is provided by the countries of Asia – China, India, Japan, South Korea, Indonesia, and others. The shocks caused by world financial crises in recent decades, a series of “colorful” revolutions in Eurasia, the Middle East and North Africa, indicate the unreliability, unpredictability of US-led Western-backed policies to ensure stability, peace and security on the planet. This is one of the arguments for raising the focus on the economic development of Asian countries and, above all, to ASEAN.

From the first day of the formation of the ASEAN (1967), the participating countries seek to achieve the common goal of uniting all the states of the region of Southeast Asia into a common home, a home for peace and stability, development and prosperity. ASEAN uses the regional integration of the national economies of the group of countries as an effective way of creating more powerful, more competitive economic associations on the world market.

Among the main motives of the states of Southeast Asia, the intentions of the establishment of ASEAN were stated: the desire of the participating countries to focus on the reconstruction of the state, the general fear of communism (the USSR, the People's Republic of China), distrust of the leading foreign powers (“G7”) and the desire for accelerated economic development.

The main objectives of the ASEAN are proclaimed: the establishment of peace and stability in the region through adherence to the principles of the UN Charter; accelerating the economic, social and cultural development of the participating countries on the basis of cooperation and mutual assistance; support and expansion of mutually beneficial cooperation with general and regional international organizations that are similar to the Association's goals.

The legal basis for relations in the structure of the Alliance is made up of three Declarations of Consent of ASEAN – 1976, 2003 and 2011, as well as the Treaty on Friendship and Cooperation in South-East Asia (Bali Treaty, 1976). The contract was subsequently joined by 31 states, as well as the EU. In 2008 the ASEAN Charter was adopted. ASEAN's highest authority is the annual summit of heads of state and government. Operational regulation of the Association's activities is carried out by the Coordinating Council. She also coordinates activities of various committees, working groups and commissions on specific areas of interaction.

**General characteristics of the socio-economic development of the ASEAN countries.** According to our calculations (Table), the population of ASEAN countries is about 636.6 million people (3rd place in the world, 2016), total area – 4.5 million square meters. The aggregate GDP (face value) is \$2.57 trillion (7th place in the world), total GDP (GDP) – \$6954.2 billion (2016). Economic growth rates make up



4.6%. Foreign trade turnover is \$2.5 trillion. Foreign direct investment is \$136 billion. The volume of domestic trade is \$ 608 billion (2014) [3].

Table - Key indicators of socio-economic development of countries  
ASEAN and Ukraine

Country	Population, million	GDP (PPP), \$ billion	GDP(PPP) / people, \$	IP (places)	HDI
Indonesia	260,6 (4)	2848 (8)	11149 (99)	69	0,684 (110)
Malaysia	31,7 (43)	817 (28)	26211 (47)	44	0,779 (62)
Singapore	5,5 (115)	473 (41)	85382 (3)	17	0,912 (11)
Country	Population, million	GDP (PPP), \$ billion	GDP(PPP) / people, \$	IP (places)	HDI
Thailand	65,3 (21)	1110 (20)	16130 (74)	48	0,726 (93)
Philippines	102,9 (12)	744 (29)	7282 (117)	74	0,668 (115)
Brunei	0,4 (176)	33,2 (122)	79508 (4)	-	0,856 (31)
Viet Nam	92,7 (13)	553 (35)	6037 (125)	55	0,666 (116)
Laos	6,7 (106)	37,6 (112)	5351 (127)	95	0,575 (141)
Myanmar	55,0 (26)	284 (57)	5480 (126)	-	0,536 (148)
Cambodia	15,8 (70)	54,4 (105)	3498 (140)	112	0,555 (143)
<b>Ukraine</b>	42,5 (32)	340 (49)	7987 (113)	70	0,747 (81)

*It is made on the basis of data from available sources (UN, IMF and Institute of Legatum) as of 01.01.2017.*

According to the data presented in Table, the countries of the association are highly differentiated by the level of socio-economic development. These and other circumstances require a special account and approach to the organization of close, mutually beneficial trade and economic cooperation. The last six-month anniversary of the ASEAN (1967-2017) gives an occasion to assess the level of socio-economic development achieved by the states that are part of the association. The results of integration are characterized by the following main criteria: GDP (GDP), GDP (PPP) per capita, Prosperity Index (IP) and Human Development Index (HDI).

At the level of economic potential, the leading countries in the world ranking of GDP (ASE) in the ASEAN Group are Indonesia (8th in the world), Thailand (20th), Malaysia (28th), and the Philippines (29th). The leaders are the founding countries of ASEAN (excluding Singapore). Closed the “top ten” for GDP (CPA) – Cambodia (105), Laos (112) and Brunei (122).

According to GDP (PPP) per capita, the picture is slightly different. Here in the obvious world leaders – Singapore (3) and Brunei (4), as well as Malaysia (47). In the middle of the ranking – Thailand (74) and Indonesia (99). The remaining 5 countries (Philippines, Vietnam, Myanmar, Laos and Cambodia) are somewhat at the same level of well-being (within the 117-140th place). If you compare countries by this indicator in dollar terms, Singapore's GDP per capita is \$85382, Brunei is \$795,085, Vietnam \$6037, Myanmar \$5480, Laos \$5351, Cambodia \$3498. Thus, the living standards of the richest Singapore and Brunei exceed the less developed countries of ASEAN more than 20 times.

According to the Prosperity Index of the Institute of Legatum, the country can be divided into 3 groups. The leaders are Singapore (17), in the “backward” – Laos (95)

and Cambodia (112). Between the two groups of countries are Malaysia (44th), Thailand (48th), Vietnam (55th), Philippines (74th) and Indonesia (69th).

Under the Human Development Index (HDI), which is a comprehensive benchmark and reflects the expected life expectancy, literacy, education and quality of life for countries around the world, ASEAN countries can be divided into two groups. The first group includes the countries of the first hundred world rankings: Singapore (11), Brunei (31) and Malaysia (62). In the second group, countries belonging to the second hundred world rankings are Indonesia (110), Philippines (115), Vietnam (115), Laos (141), Cambodia (143) and Myanmar (148).

Thus, among the countries of ASEAN, the most developed country for most parameters a priori is Singapore. Brunei due to the presence of oil and gas deposits is among the top ten countries in terms of per capita income. The developing countries of the middle level are Indonesia, the Philippines and Thailand. Less developed countries include Vietnam, Cambodia, Laos and Myanmar. It is logical that the competitive advantages of Singapore are innovation-technological and financial aspects, Brunei is oil and gas, and other ASEAN countries are characterized by rich natural and labor resources.

**Features of the implementation of economic relations in ASEAN within the framework of the Free Trade Area.** In 2002, the ASEAN Free Trade Agreement (AFTA) entered into force. The agreement envisages the implementation of regional economic integration on the basis of a single market and production base, creation of equal conditions for the development of the participating countries, provision of preferential access of export goods to the regional market, coordination of trade policy, integration of the Association into the global economy.

Undoubtedly, the process of establishing economic relations between countries is marked by differences in the nature of political regimes, the differentiation of the level of socio-economic development, a similar structure of the economy, exports and imports of most countries, different degrees of integration of national economies in the world economy [4]. For example, Singapore's foreign trade turnover is \$788,117 billion, Malaysia – \$423,930 billion, Indonesia – \$381,721 billion, Myanmar – \$18,503 billion [5].

The Free Trade Agreement (FTA) agreement initially provided for free trade in goods based on the introduction of a single effective preferential tariff. The liberalization of trade between the countries provided for a reduction of 0-5% on tradable industrial and agricultural products that must meet the criterion of origin, that is, 40% of the value of the product should be created or added to ASEAN. At the same time, the goods were divided into four categories to determine the criteria and timing of the introduction or abolition of the relevant tariffs.

Initially, the AFTA's decision-making was limited to six more developed ASEAN countries. For the four less developed countries, the later dates for the fulfillment of the obligations formulated in the Agreement were determined. For Vietnam, the deadline was set at 2013, Laos and Myanmar – 2015, Cambodia – 2017. For these countries, the lower level of openness of national economies was maintained compared to the developed ASEAN members.

The provisions of the AFTA provide for the establishment of terms of trade with the simplification of customs procedures, elimination of technical barriers. In accordance with international standards, harmonization of national standards for priority product groups is carried out. Significantly simplified unification of the product nomenclature and the adherence to the general rules for the mutual recognition of the product quality certificate, the transition to a harmonized system for the description and coding of goods.

One of the problems in the current AFTA system is the elimination of non-tariff restrictions. Its decision is scheduled to be completed by 2018. Most ASEAN countries use non-tariff import restrictions; some countries impose restrictions on exports of goods. This applies not only to ASEAN partners, but also to economic relations within the region. To some extent, it reduces the efficiency of the export and import operations. The coordination of the activities of the Association countries on the introduction of common standards, certificates, unification of trade rules is not sufficiently established.

World Bank economists, based on the Gravity Model, determined the dependence of foreign trade flows on the distance between the countries of the Association, the potential of the economy, the size of the territory and trade policy. Scientists came to the conclusion that the effectiveness of ASEAN trade relations depends not only on the reduction of customs tariffs, but also determined by a set of conditions. For example, the key factor – the distance between countries plays a less important role, as is commonly believed. Its increase by 1% leads to a decrease in bilateral trade by only 0.4%. At the same time, the volume of trade and conditions of entry into the market is significantly influenced by the customs procedure for the issue of goods. ASEAN needs 32 days for customs procedures, and 12 days for the OECD.

A comparative analysis of the trade defense market of the ASEAN market, conducted by the World Bank, showed that the average rate of openness of the trade union of the countries is slightly higher than the average world (9% vs. 11%). The degree of openness of national markets varies by country. The greatest openness of the national market is typical for Singapore and Brunei, the smallest – in Cambodia and Laos. Taking into account non-tariff barriers, the level of trade openness of ASEAN is 22% versus 18% of the world average [6].

As a whole, the creation of the ASEAN Free Trade Zone (AFTA) has a positive impact on the countries. There is an expansion of markets, the volume of domestic and foreign trade is increasing, exports are diversified, conditions are created for attracting foreign capital, production costs are reduced at the expense of imports, domestic consumption is stimulated, new jobs are created, and the standard of living of the population increases.

**Program areas for improving the regional cooperation mechanism.** The promising decisions of ASEAN are the further development of economic integration within the framework of the WTO, which envisages expansion of trade in services, intensification of cooperation in the investment sphere, protection of intellectual property rights, improvement of the mechanism of public procurement, strengthening

of coordination in the conduct of competition policy, which contributes to the competitiveness of the region of South-East Asia in the global economy.

The implementation of the ASEAN General Plan of Interaction (2010) contributes to further deepening the integration of “dozens” through the integration of its transport, information and communication and social infrastructure. From 01/01/2016 the triennial ASEAN Community operates in the political, economic and socio-cultural spheres. The program documents for the further development of the Association are also the Declaration “ASEAN–2025: together in the future”, as well as the concept “The vision of ASEAN–2025”. In 2016 these two documents are supplemented by the ASEAN–2025 Mutual Assistance Agreement and the new Work Plan for the implementation of the ASEAN Integration Initiative [3].

Around ASEAN concentrates a number of multilateral regional mechanisms and structures. Their activities are aimed at expanding cooperation in the field of security, economic cooperation and the liberalization of trade regimes in the Asia-Pacific region (APR). Especially it should be noted successful system of “dialogues” of ASEAN with the leading countries of the world. Since 1999 The mechanism of deep interaction of the Association with the East Asian “Three” (China, Japan and Republic of Korea) in “ASEAN+3” format acts as a reaction to the global financial crises. In its framework in 2000 the “Chiangmai Initiative” began to be implemented, which provided for the construction of a system of swap agreements on the mutual support of national currencies. This initiative was the starting points for the creation in 2010 the so-called “Asian Currency Reserve Fund” in the amount of \$ 120 billion to protect against financial crises. The funds of the Chiangmai Foundation amounted to \$ 240 billion (2014). At 80%, the fund is provided by the specified “three”.

As part of the ASEAN program intentions in 2016 Comprehensive Regional Economic Partnerships (WREP) was formed with the involvement of countries with which the Association concluded free trade agreements. This is the formula “ASEAN+6”, that is, the connection to the regional bloc of China, Japan, the Republic of Korea, India, Australia and New Zealand. Implementation of the concept of the East Asian Free Trade Area allows ASEAN to further intensify integration processes. These measures will significantly strengthen the position of the Association in the balance of forces “East-West” in the global economy.

**Opportunities and problems of development of mutually beneficial economic cooperation Ukraine – ASEAN.** Given the current structure of the Ukrainian economy and its export component, there is every reason to confirm the expediency of strengthening its presence on the markets of South-East Asia. Unlike the EU market, there are no quotas on the products of the agrarian-industrial complex in the markets of ASEAN; there is a tangible lack of its production, as well as procedures for certification of products in comparison with the requirements of the EU or even in China.

From the standpoint of the food component of the country's economic security, it is necessary to take into account the growing needs of the ASEAN population in food products. According to UN forecasts, the number of inhabitants until 2030 should grow to 725 million. It is also necessary to take into account that a significant part of



the territory of the “dozens” of countries is not suitable for agriculture. Arable land in Indonesia, Vietnam and the Philippines is lower than in Ukraine, while the population is already over 450 million people, and by 2030 and in general exceed 520 million.

Demand for food in the countries of the region is growing dynamically, along with an increase in the quality of life, which is, of course, due to the high rates of economic development of countries. So, real GDP for the period of 1990-2015 grew up 6 times in Cambodia, 5.35 – in Viet Nam, 5.2 – in Laos, 4.3 – in Myanmar, 4.25 – in Singapore, 4.0 – in Malaysia, 3.35 – in Indonesia, in Thailand and in the Philippines – by 2.8 times. At the same time, we note that GDP in Ukraine is 65% of the 1990 level. The rates of economic development in the ASEAN countries are much higher than in Ukraine. The average income of their inhabitants is also higher than that of Ukrainians (Table 1). In Singapore and Brunei, the standard of living is far beyond the EU and the US. The level of income in most countries of the Association is close to the standard of living of the Eastern countries – members of the European Union.

Analyzing the presence of Ukrainian producers in the market of ASEAN countries, both volumes of deliveries and the structure of the product range after the global economic crisis of 2008-2009 have undergone significant changes. In 2008 89% of total exports were ferrous metals and nitrogen fertilizers. Today, from these markets, Ukrainian producers have supplanted suppliers from China. Exports of metallurgical products from Ukraine dropped sharply – from \$ 1.3 billion in 2008 to \$10 million in 2015 the main reason for the lack of competitiveness of domestic metallurgy lies in the backwardness of technology.

A similar situation occurs with nitrogen fertilizers. If in 2012 they were sold for \$54.8 million, then in 2015 the supply of nitrogen fertilizers amounted to 6.74 thousand tons to \$1.73 million (and then only in Malaysia). The reasons are not due to the geographical proximity of the main competitor – China. The reason is the cost of gas, which is often lower in China, Russia, and Norway than in Ukraine, since Ukraine mainly imports it at world prices.

Import of wheat in the region grew during 2010-2015 from \$3.4 billion to \$5.3 billion. Its largest suppliers are Australia, the United States and Canada. Supplies from Ukraine also increased – from \$29.8 million in 2008 to \$0.56 billion in 2015 the physical volumes of grain deliveries were, in particular, in 2015 – 3.57 million tons. Ukraine is leading the supply of wheat grain to Thailand, dividing it with competitors in the second or third place in the markets of Indonesia, the Philippines and Malaysia.

The countries of Southeast Asia are reaping significant volumes of flour mill products (\$15.4 million in 2015). Traditionally, Ukraine is the largest supplier of sunflower oil. If in 2014 oil deliveries amounted to \$67.6 million, then already in 2015 they increased to \$115.39 million. However, exports of this product are, in fact, only to Malaysia (\$114.5 million).

The delivery of Ukrainian corn remains the trial, although the demand for it is quite high. Prospects can be the sale of poultry meat, pork, egg powder, confectionery, condensed cream and milk, dry whey, and cheese products [7].

Logistics is one of the obstacles to increasing the volumes of export of agricultural products, although this problem is entirely solved.

Along with agrarian products, the ASEAN consumer market is open for the supply of pharmaceutical products. Exports of drugs from Ukraine have increased significantly – from \$29 thousand in 2010 to \$4.6 million in 2015. At the same time, the only one is their Vietnamese consumer.

Varied but at the same time unstable supplies to the markets of the region of Ukrainian engineering products (trucks, tractors, aviation technology, radio equipment, turbo-engines and gas turbines). In order to ensure the stability and further increase in the supply of machine building products, state support is needed in lending and export insurance [8].

**Conclusions.** The purpose of the creation of ASEAN for the 10 participating countries was their association in a common home, a home for peace and stability, development and prosperity. At the heart of ASEAN's functioning is the principle of “open regionalism” and a consensus approach to decision-making [9]. ASEAN uses the regional integration of the economies of the group of countries as an effective way of creating, based on their national economies, new, more competitive on the world market of economic unions (ASEAN+1, ASEAN+3, ASEAN+6) as a contrast to the developed monopoly countries in the world economic system. In relations with ASEAN for Ukraine equally important are all three of its components – political, trade, economic and humanitarian. The priority in the economic sphere is the export of agricultural products in the context of food security of the countries of Southeast Asia, cooperation in the fields of mechanical engineering, military-technical sphere, investment attraction, implementation of educational programs. The strategic plan may consider the question of the feasibility of establishing an ASEAN-Ukraine FTA within the framework of WTO rules and norms.

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## THE EFFECT OF INTEREST RATE POLICY ON GDP DYNAMICS IN LATVIA

### ВПЛИВ ВІДСОТКОВОЇ ПОЛІТИКИ НА ДИНАМІКУ ВВП ЛАТВІЇ

*The aim of the paper is to study the impact of interest rate policy on gross domestic product dynamics in Latvia. Since the mid-90s economic activity in Latvia has been on a constant rise, its economy has shown one of the highest economic growth rates in the European Union - its gross domestic product has gone up approximately twice as fast as the average figure in the European Union. Monetary factors were among the main drivers of economic growth in Latvia. Latvia is one of the post-socialist countries that have succeeded in using expansionary monetary policy to boost economic growth. To drive economic development the Bank of Latvia used short-term credits to commercial banks for liquidity maintenance, implemented credit auctions and Lombard loans. It also supported the money volume in the set parameters and adjusted the level of liquidity of commercial banks by changing the minimal reserve requirements. Credit expansion was conducted by monetary authorities under appropriate macroeconomic conditions - central bank of Latvia paid attention to control monetary supply, velocity of money, inflation, exchange rate and other macroeconomic indicators.*

*This study contributes to the statement concerning the role of interest rate policy in gross domestic product growth in Latvia. In the study correlation analysis has been exploited to analyze the association between real interest rate and gross domestic product dynamics in Latvia. The research results reveal that in 1996-2013 real interest rate was associated with gross domestic product growth in Latvia negatively, and the relationship was rather strong. Granger causality test has indicated that real interest rate caused gross domestic product growth in the short-term period, but in the long-term period (two and more years) gross domestic product growth caused real interest rate.*